

VILLAGE OF CENTREVILLE
ST. JOSEPH COUNTY, MICHIGAN

FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Centreville	County St. Joseph
Audit Date 3/31/04	Opinion Date 5/19/04	Date Accountant Report Submitted to State: September 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

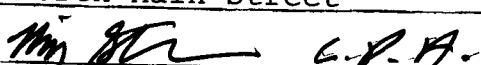
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1960).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

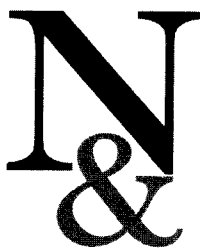
	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			X
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Norman & Paulsen, P.C.			
Street Address 123 North Main Street	City Three Rivers	State MI	ZIP 49093
Accountant Signature  C.P.A.			

CONTENTS

Page

Independent Auditor's Report.....	i
Management's Discussion and Analysis	ii
Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	4
Statement of Net Assets – Proprietary Funds.....	5
Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds	7
Statement of Cash Flows – Proprietary Funds.....	8
Statement of Net Assets – Component Unit	10
Statement of Activities – Component Unit	11
Notes to Financial Statements	12
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund.....	23
Budgetary Comparison Schedule – Major Street Fund	24
Budgetary Comparison Schedule – Local Street Fund.....	25
Report on Compliance and on Internal Control Over Financial Reporting based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	26



INDEPENDENT AUDITOR'S REPORT

Members of the Village Council
Village of Centreville, Michigan

Norman & Paulsen, P.C.

Certified Public Accountants

123 N. Main Street

Three Rivers, MI 49093

269.273.8641

Fax 269.278.8252

E-mail

nptr@npaccounting.com

Other Location:

127 W. Chicago Road

Sturgis, MI 49091

269.651.3228

Fax 269.651.5146

E-mail

normanpaulsen@charter.net

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the component unit, and each major fund of the Village of Centreville, Michigan as of and for the year ended March 31, 2004, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the component unit, and each major fund, of the Village of Centreville, Michigan as of March 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the Village has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as of March 31, 2004.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)

The management's discussion and analysis and budgetary comparison information beginning on page ii, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated May 19, 2004, on our consideration of the Village of Centreville, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report considering the results of our audit.

Norman & Paulsen, P.C.

Norman and Paulsen, P.C.

Three Rivers, Michigan
May 19, 2004

**VILLAGE OF CENTREVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2004**

As management of the Village of Centreville, we offer readers of the Village of Centreville's financial statements this narrative overview and analysis of the financial activities of the Village of Centreville for the fiscal year ended March 31, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished. This discussion will contain comparative analysis in future years when prior year information is available.

Financial Highlights

- The assets of the Village of Centreville exceeded its liabilities at March 31, 2004 by \$3,739,445. Of this amount unrestricted net assets of \$920,942 may be used to meet the government's ongoing obligations to citizens and creditors.
- The total net assets increased by \$83,141. Of this amount \$70,794 was associated with governmental and \$12,347 with business type activities.
- As of the close of the current fiscal year, the Village of Centreville's governmental funds reported combined ending fund balances of \$1,461,065. Of this amount \$726,241 is unreserved and available for spending.
- At the end of the current fiscal year, unreserved fund balance for the general fund was \$90,377, or 17% of total general fund expenditures.
- The Village of Centreville's total debt obligations (including post retirement benefits) is \$3,166,000. This is a decrease of \$125,613 from prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Village of Centreville's basic financial statements. The Village of Centreville's basic financial statements are comprised of 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements are designed to provide readers with a broad overview of the Village of Centreville's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all the Village's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

**VILLAGE OF CENTREVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2004**

Both of the government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village of Centreville include general government, public safety, parks and recreation, community services, community development and other charges. The major business-type activities of the Village include the water and sewer systems.

The government-wide financial statements include not only the Village of Centreville itself (known as the primary government), but also a legally separate Centreville Downtown Development Authority, a component unit of the Village. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village of Centreville can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the two.

The Village maintains four individual governmental funds: General, Major Street, Local Street, and Downtown Development Authority. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Individual fund data for each of these governmental funds is provided.

The Village of Centreville adopts a one year budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the fiscal year end March 31, 2004 budget.

**VILLAGE OF CENTREVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2004**

Proprietary Funds The Village of Centreville maintains two different types of proprietary funds: enterprise funds and an internal service fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Village maintains two individual enterprise funds: Sewer Fund and Water Fund. Information is presented separately in the proprietary statement of net assets and the proprietary statement of revenues, expenses and changes in fund net assets for the Sewer and Water funds, which are considered major funds. Internal service funds are used to accumulate and allocate costs internally among the Village's various functions. The Village of Centreville uses an internal service fund to account for its fleet maintenance.

Notes to the Financial Statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information In addition to the basic financial statements and accompanying notes, this report also presents certain other required supplementary information. The combining statements referred to earlier in connection with nonmajor funds and internal service funds are presented immediately after the basic financial statements. Also included are budget comparisons for all major governmental funds.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. At March 31, 2004, the Village's assets exceeded liabilities by \$3,739,445. Capital assets are used to provide services to citizens and they are not available for future spending. It should be noted that the resources needed to repay the remaining debt of capital assets must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**VILLAGE OF CENTREVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2004**

Village of Centreville's Net Assets

	Governmental Activities	Business-type Activities	Total
Assets			
Current and other assets	\$ 825,776	\$ 826,680	\$1,652,456
Capital assets	<u>704,516</u>	<u>4,659,173</u>	<u>5,363,689</u>
Total assets	<u>1,530,292</u>	<u>5,485,853</u>	<u>7,016,145</u>
Liabilities			
Long-term liabilities outstanding	-	3,166,000	3,166,000
Other liabilities	<u>69,227</u>	<u>41,473</u>	<u>110,700</u>
Total Liabilities	<u>67,829</u>	<u>3,197,473</u>	<u>3,276,700</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	704,516	1,493,173	2,197,689
Restricted	30,308	590,506	620,814
Unrestricted	<u>726,241</u>	<u>194,701</u>	<u>920,942</u>
Total Net Assets	<u>\$1,461,065</u>	<u>\$2,278,380</u>	<u>\$3,739,445</u>

**VILLAGE OF CENTREVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2004**

Village of Centreville's Changes in Net Assets

	Governmental Activities	Business-type Activities	Total
Revenues:			
Program revenues:			
Charges for services	\$ 73,876	\$ 422,882	\$ 496,758
Operating grants and contributions	12,593	-	12,593
General revenues:			
Property taxes	257,794	-	257,794
State revenue sharing	271,073	-	271,073
Licenses and permits	24,981	-	24,981
Grants	8,825	-	8,825
Interest	10,377	10,771	21,148
Other	<u>21,093</u>	<u>1,172</u>	<u>22,265</u>
Total Revenues	<u>680,612</u>	<u>434,825</u>	<u>1,115,437</u>
Expenses:			
General government	216,220	-	216,220
Public safety	285,799	-	285,799
Public works	82,754	-	82,754
Health and welfare	20,869	-	20,869
Interest on long-term debt	1,131	-	1,131
Sewer and water	-	422,478	422,478
Depreciation - unallocated	<u>3,045</u>	<u>-</u>	<u>3,045</u>
Total Expenses	<u>609,818</u>	<u>422,478</u>	<u>1,032,296</u>
Increase in net assets	70,794	12,347	83,141
Net assets April 1, 2003	<u>1,390,271</u>	<u>2,266,033</u>	<u>3,656,304</u>
Net assets March 31, 2004	<u>\$1,461,065</u>	<u>\$2,278,380</u>	<u>\$3,739,445</u>

**VILLAGE OF CENTREVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2004**

Governmental Activities Governmental activities increased the Village's net assets by \$70,794 accounting for 85 percent of the total growth in the net assets. Key elements of this increase are as follows:

- ◆ County wide voted road millage in the local streets which has been and will continue to be used in local street projects.
- ◆ Council approved the additional 0.321% millage permitted by the State which increased operating revenues in property taxes.
- ◆ In anticipation of major State Revenue Sharing cuts, Council was very conservative allowing spending on necessities.

Business-type Activities Business-type activities increased the Village's net assets by \$12,347, accounting for 15 percent of the total growth in the government's net assets. This increase was primarily due to a low maintenance year on equipment.

Financial Analysis of the Governments' Funds

As noted earlier, the Village of Centreville uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Government Funds The purpose of the Village's governmental fund financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the Village's chief operating fund. At the end of the current fiscal year, unreserved fund balance of the general fund was \$90,377 while the total fund balance totaled \$161,931. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 17.5 percent of total general fund expenditures, while total fund balance represents 31.3 percent of that same amount.

Proprietary funds The Village's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Sewer and Water funds at the end of the year were \$80,426 and \$113,440, respectively. The total growth was \$30,407 and (\$18,895) for those same funds. Other factors concerning the finances of these funds have already been addressed in the discussion of the Village's business-type activities.

**VILLAGE OF CENTREVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2004**

General Fund Budgetary Highlights

The final general fund budget was greater than the original budget by \$35,440. The use of the \$35,440 can be briefly summarized as follows:

- ◆ \$ 600 – legal fee increases.
- ◆ \$ 4,500 – computer purchases for Treasurer's use and municipal office finance upgrade.
- ◆ \$ 8,400 – building permits cost increased due to major remodeling projects.
- ◆ \$ 5,940 – fire department costs to cover vehicle maintenance and wages related to rescue runs.
- ◆ \$16,000 – fire fundraiser expenses covered by fundraiser revenue collected over several years.

Capital Asset and Debt Administration

Capital Assets The Village's investment in capital assets for its governmental and business type activities at March 31, 2004 amounts to \$27,925. This investment in capital assets includes sewer and water system expansion, and equipment within the village limits.

Major capital asset events during the current fiscal year included the following:

- ◆ \$ 3,000 – purchase of a portable man lift.
- ◆ \$ 8,553 – negotiated Village portion of the sewer main extension within Murk Subdivision.
- ◆ \$16,372 – negotiated Village portion of the of the water main extension within Murk Subdivision.

Long-term debt At the end of the current fiscal year, the Village had \$3,166,000 in outstanding debt consisting of revenue bonds. All of the debt was secured by specific revenue sources.

Village of Centreville's Outstanding Debt

	Governmental Activities FYE 03-31-04	Business-type Activities FYE 03-31-04	Total FYE 03-31-04
Revenue bonds	<u>-</u>	<u>\$ 3,166,000</u>	<u>\$ 3,166,000</u>

**VILLAGE OF CENTREVILLE
MANAGEMENT'S DISCUSSION AND ANALYSIS
MARCH 31, 2004**

Economic Factors and Next Year's Budgets and Rates

The Village of Centreville Council has shown fiscal responsibility in its planning for budget and spending practices. The March 31, 2004 fiscal year end was full of uncertain revenue as well as expenses. Monthly reports are transmitted to the Village council that provides "actual" information related to the projections. Budgets for the March 31, 2005 fiscal year end were developed based upon the following assumptions.

- State of Michigan. One of the major sources of general fund revenue is through the State of Michigan Statutory and Constitutional revenue sharing. The State has reduced the amount of revenue share received by the Village of Centreville along with many other Michigan entities.
- Investment income. This source of revenue has been considerably lower the past few years with the trend expected to continue.
- Fire Department tanker grant. The fire department was awarded a FEMA grant for the purpose of purchasing a new tanker. The grant is \$157,000. The required local match is \$17,500 for a total of \$175,000 towards the purchase. Any amount over the \$175,000 will be borne 100% by the local. This grant is to be used within the year.
- Local Street County millage revenue. A proposal to renew the St. Joseph County road millage on property taxes of St. Joseph County property owners is on the August 3, 2004 Primary Election ballot. The Village has benefited \$15,000 - \$18,000 per year from this millage. Council has restricted use of this millage revenue to its local streets. If voters do not approve the renewal, local street projects will be delayed.
- Enterprise fund rates. The Village of Centreville has just restructured its water and sewer monthly fixed rates collected to cover the annual financial obligations of the water and sewer loans. The restructuring was done to make the costs more equitable to the users. The rate for use has not been changed since 1998 but the costs to run the system continue to increase.

Requests for Information

This financial report is designed to provide a general overview of the Village of Centreville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the Village of Centreville, 212 W Main Street, PO Box 399, Centreville MI 49032.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2004

	Primary Government			Component Units
	Governmental Activities	Business -Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 475,687	\$ 182,875	\$ 658,562	\$ 100,695
Investments	238,057	-	238,057	-
Receivables (net)	67,651	53,299	120,950	24,960
Due from primary government	-	-	-	26,934
Prepaid expenses	14,073	-	14,073	-
Restricted cash and cash equivalents	30,308	590,506	620,814	-
Capital assets - net	704,516	4,659,173	5,363,689	-
Total Assets	<u>\$ 1,530,292</u>	<u>\$ 5,485,853</u>	<u>\$ 7,016,145</u>	<u>\$ 152,589</u>
LIABILITIES				
Accounts payable	32,015	6,028	38,043	-
Accrued payroll and other liabilities	10,278	35,445	45,723	93
Due to component unit	26,934	-	26,934	-
Noncurrent liabilities				
Due within one year	-	105,000	105,000	-
Due in more than one year	-	3,061,000	3,061,000	-
Total Liabilities	<u>\$ 69,227</u>	<u>\$ 3,207,473</u>	<u>\$ 3,276,700</u>	<u>\$ 93</u>
NET ASSETS				
Invested in capital assets				
Net of related debt	704,516	1,493,173	2,197,689	-
Restricted for				
Debt service	-	590,506	590,506	-
Other purposes	30,308	-	30,308	-
Unrestricted	726,241	194,701	920,942	152,496
Total Net Assets	<u>\$ 1,461,065</u>	<u>\$ 2,278,380</u>	<u>\$ 3,739,445</u>	<u>\$ 152,496</u>

See accompanying notes to financial statements

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
General government	\$ 216,220	\$ 101	\$ -	\$ -
Public safety	285,799	72,025	12,593	-
Public works	82,754	-	-	-
Health and welfare	20,869	1,750	-	-
Interest on long-term debt	1,131	-	-	-
Depreciation-unallocated	3,045	-	-	-
Total Governmental Activities	609,818	73,876	12,593	-
Business - Type Activities				
Water and Sewer	422,478	422,882	-	-
Total Primary Government	1,032,296	496,758	12,593	-
Component units:				
Downtown Development Authority	9,045	-	-	-
Total Component Units	\$ 9,045	\$ -	\$ -	\$ -

General Revenues

Property Taxes
State-Shared Revenues
Licenses and Permits
Grants and Entitlements not Restricted to Specific Programs
Unrestricted Investment Earnings
Gain (loss) on sale of capital assets
Miscellaneous

Transfers

Total General Revenues - Transfers

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

See accompanying notes to financial statements

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business -Type Activities	Total	Component Units
\$ (216,119)	\$ -	\$ (216,119)	\$ -
(201,181)	-	(201,181)	-
(82,754)	-	(82,754)	-
(19,119)	-	(19,119)	-
(1,131)	-	(19,119)	-
(3,045)	-	(1,131)	-
(523,349)	-	(539,423)	-
-	404	404	-
(523,349)	404	(522,945)	-
-	-	-	(9,045)
\$ -	\$ -	\$ -	\$ (9,045)
257,794	-	257,794	57,815
271,073	-	271,073	-
24,981	-	24,981	-
8,825	-	8,825	-
10,377	10,771	21,148	701
2,000	-	2,000	-
19,093	1,172	20,265	-
-	-	-	-
594,143	11,943	606,086	58,516
70,794	12,347	83,141	49,471
1,390,271	2,266,033	3,656,304	103,025
\$ 1,461,065	\$ 2,278,380	\$ 3,739,445	\$ 152,496

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

**BALANCE SHEET
GOVERNMENTAL FUNDS
MARCH 31, 2004**

	General Fund	Major Street Fund	Local Street Fund	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 131,199	\$ 111,291	\$ 129,716	\$ 372,206
Investments	-	123,833	62,375	186,208
Receivables (Net)	46,675	7,626	13,350	67,651
Due from other funds	239	-	1,891	2,130
Prepaid expenses	14,073	-	-	14,073
Restricted cash and cash equivalents	30,308	-	-	30,308
Total Assets	<u>\$ 222,494</u>	<u>\$ 242,750</u>	<u>\$ 207,332</u>	<u>\$ 672,576</u>
LIABILITIES				
Accounts payable	\$ 23,852	\$ 3,270	\$ 1,446	\$ 28,568
Other accrued liabilities	9,538	157	169	9,864
Due to other funds	27,173	1,891	-	29,064
Total Liabilities	<u>\$ 60,563</u>	<u>\$ 5,318</u>	<u>\$ 1,615</u>	<u>\$ 67,496</u>
FUND BALANCES				
Reserved for				
Restricted assets	\$ 57,481	\$ -	\$ -	\$ 57,481
Prepaid expenses	14,073	-	-	14,073
Unrestricted	90,377	237,432	205,717	533,526
Total Fund Balances	<u>\$ 161,931</u>	<u>\$ 237,432</u>	<u>\$ 205,717</u>	605,080

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	588,186
---	---------

Internal service funds are used to charge the costs of certain activities, such as motor vehicle pool maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	<u>267,799</u>
---	----------------

Net Assets of Governmental Activities	<u>\$ 1,461,065</u>
---------------------------------------	---------------------

See accompanying notes to financial statements

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2004**

	General Fund	Major Street Fund	Local Street Fund	Total Governmental Funds
Revenues				
Taxes and Penalties	\$ 232,047	\$ -	\$ 25,747	\$ 257,794
Licenses and Permits	18,903	-	-	18,903
Federal Grants	-	-	-	-
State Grants	166,159	72,573	32,341	271,073
Operating contributions	21,418	-	-	21,418
Charges for Services	73,876	-	-	73,876
Fines and Forfeits	6,078	-	-	6,078
Interest and Rentals	2,040	2,660	4,124	8,824
Other Revenue	19,093	-	-	19,093
Total Revenues	539,614	75,233	62,212	677,059
Expenditures				
Current				
General Government	212,559	2,842	2,844	218,245
Public Safety	262,993	-	-	262,993
Public Works	-	40,153	34,382	74,535
Health and Welfare	20,869	-	-	20,869
Capital Outlay	-	-	-	-
Debt Service	21,131	-	-	21,131
Total Expenditures	517,552	42,995	37,226	597,773
Excess (deficiency) of Revenues Over Expenditures	22,062	32,238	24,986	79,286
Other Financing Sources (Uses)				
Transfers in	-	-	18,143	18,143
Transfers (Out)	-	(18,143)	-	(18,143)
Total Other Financing Sources (Uses)	-	(18,143)	18,143	-
Excess of Revenue and Other Sources Over (Under) Expenditures and Other Uses	22,062	14,095	43,129	79,286
Fund Balance - April 1, 2003	139,869	223,337	162,588	525,794
Fund Balance - March 31, 2004	\$ 161,931	\$ 237,432	\$ 205,717	\$ 605,080

See accompanying notes to financial statements

Net Change in Fund Balances - Total Governmental Funds \$ 79,286

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures; in the statement of activities these costs are allocated over their estimated useful lives as depreciation. (34,975)

Repayments of bond principal is an expenditure in the governmental funds, but not in the statement of activities where it reduces long-term debt. 20,000

Internal service funds are used to charge the costs of certain activities such as the motor vehicle pool to individual funds. The net revenue of the internal service funds is reported with governmental activities (net of amount allocated to business - type activities of \$835). 6,483

Change in Net Assets of Governmental Activities \$ 70,794

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
MARCH 31, 2004

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Totals	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 102,498	\$ 79,542	\$ 182,040	\$ 104,316
Investments	-	-	-	51,849
Receivables, net	28,778	24,521	53,299	-
Total current assets	131,276	104,063	235,339	156,165
Noncurrent assets				
Restricted cash and cash equivalents, and investments	259,677	330,829	590,506	-
Capital assets	2,027,871	2,631,302	4,659,173	116,330
Total noncurrent assets	2,287,548	2,962,131	5,249,679	116,330
Total Assets	\$ 2,418,824	\$ 3,066,194	\$ 5,485,018	\$ 272,495
LIABILITIES				
Current liabilities				
Accounts payable	\$ 2,519	\$ 3,509	\$ 6,028	\$ 3,447
Accrued payroll and other liabilities	34,195	1,250	35,445	414
Current portion of noncurrent liabilities	20,000	85,000	105,000	-
Total current liabilities	56,714	89,759	146,473	3,861
Noncurrent liabilities				
Current liabilities payable from restricted assets	-	-	-	-
Compensated absences	-	-	-	-
Bonds, notes and loans payable	1,651,000	1,410,000	3,061,000	-
Total noncurrent liabilities	1,651,000	1,410,000	3,061,000	-
Total Liabilities	\$ 1,707,714	\$ 1,499,759	\$ 3,207,473	\$ 3,861

See accompanying notes to financial statements

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF NET ASSETS (CONTINUED)
 PROPRIETARY FUNDS
 MARCH 31, 2004

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Totals	
NET ASSETS				
Invested in capital assets -				
Net of related debt	356,871	1,136,302	1,493,173	116,330
Restricted for				
Debt service	240,799	349,707	590,506	-
Unrestricted	113,440	80,426	193,866	152,304
Total Net Assets	<u>\$ 711,110</u>	<u>\$ 1,566,435</u>	<u>2,277,545</u>	<u>\$ 268,634</u>

Reconciliation to the statement of net assets

Internal service funds are used to charge the costs of certain activities, such as the motor vehicle pool to individual funds. The assets and liabilities of certain internal service funds are included with business-type activities in the statement of net assets.

835

Net assets of business-type activities

\$ 2,278,380

See accompanying notes to financial statements

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2004**

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Totals	
Operating revenues				
Water sales	\$ 217,899	\$ -	\$ 217,899	\$ -
Sewage disposal services	-	204,483	204,483	-
Equipment rentals	-	-	-	45,370
Penalties and interest charges	-	-	-	-
Installation and other charges	717	955	1,672	-
Total operating revenues	218,616	205,438	424,054	45,370
Operating expenses				
Personnel services	40,852	36,402	77,254	9,604
Contractual services	24,974	8,274	33,248	550
Utilities	7,814	3,878	11,692	3,594
Repairs and maintenance	2,511	10,320	12,831	9,303
Other supplies and expenses	14,521	11,321	25,842	3,706
Depreciation	70,983	77,657	148,640	14,848
Total operating expenses	161,655	147,852	309,507	41,605
Operating income (loss)	56,961	57,586	114,547	3,765
Nonoperating revenues (expenses)				
Interest revenue	3,356	7,415	10,771	1,553
Interest expense	(79,212)	(34,594)	(113,806)	-
Gain on sale of capital asset	-	-	-	2,000
Total nonoperating revenues (expenses)	(75,856)	(27,179)	(103,035)	3,553
Change in net assets	(18,895)	30,407	11,512	7,318
Total net assets - beginning of year	730,005	1,536,028	2,266,033	261,316
Total net assets - end of year	\$ 711,110	\$ 1,566,435	\$ 2,277,545	\$ 268,634

See accompanying notes to financial statements

Reconciliation to Government-wide Statement of Net Assets:

Amounts reported for business-type activities in the government-wide
Statement of Activities are different because:

Net change in net assets - total business-type funds	\$ 11,512
Net effect of elimination of internal service fund activities.	<u>835</u>
Change in net assets of business-type activities	<u><u>\$ 12,347</u></u>

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2004

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 225,258	\$ 212,245	\$ 437,503	\$ -
Receipts for interfund services	-	-	-	45,370
Payments for interfund services	(5,499)	(4,559)	(10,058)	-
Payments to suppliers	(42,904)	(26,809)	(69,713)	(15,476)
Payments to employees	(41,540)	(36,205)	(77,745)	(9,608)
Net cash provided (used) by operating activities	135,315	144,672	279,987	20,286
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Operating subsidies and transfers to other funds	634	620	1,254	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
(Increase)decrease restricted assets	(53,493)	(67,292)	(120,785)	-
Purchases of capital assets	(16,372)	(8,552)	(24,924)	(3,000)
Proceeds from sale capital assets	-	-	-	2,000
Principal and interest paid on capital debt	(98,824)	(119,594)	(218,418)	-
Net cash provided (used) by capital and related financing activities	(168,689)	(195,438)	(364,127)	(1,000)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of investments	-	-	-	(1,849)
Interest and dividends	3,333	8,157	11,490	2,566
Net cash provided by investing activities	3,333	8,157	11,490	717
Net increase (decrease) in cash and cash equivalents	(29,407)	(41,989)	(71,396)	20,003
Balances - beginning of year	131,905	121,531	253,436	84,313
Balances - end of year	\$ 102,498	\$ 79,542	\$ 182,040	\$ 104,316

See accompanying notes to financial statements

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF CASH FLOWS (CONTINUED)
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED MARCH 31, 2004

	Business - Type Activities Enterprise Funds			Governmental Activities - Internal Service Fund
	Water Fund	Sewer Fund	Totals	
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 56,961	\$ 57,586	\$ 114,547	\$ 3,765
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Depreciation expense	70,983	77,657	148,640	14,848
(Increase) decrease in assets				
Receivables	6,642	6,807	13,449	-
Increase (decrease) in liabilities				
Accounts payables	1,417	2,425	3,842	1,677
Accrued expenses	(688)	197	(491)	(4)
Net cash provided by operating activities	<u>\$ 135,315</u>	<u>\$ 144,672</u>	<u>\$ 279,987</u>	<u>\$ 20,286</u>

See accompanying notes to financial statements

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF NET ASSETS
COMPONENT UNIT
MARCH 31, 2004

	Downtown Development Authority
ASSETS	
Cash and cash equivalents	\$ 100,695
Receivables (net)	24,960
Internal balances	27,173
Total Assets	<u>\$ 152,828</u>
LIABILITIES	
Accrued payroll and other liabilities	\$ 93
Internal balances	239
Total Liabilities	<u>\$ 332</u>
NET ASSETS	
Unrestricted	<u>152,496</u>
Total Net Assets	<u>\$ 152,496</u>

See accompanying notes to financial statements

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

STATEMENT OF ACTIVITIES
 COMPONENT UNIT
 FOR THE YEAR ENDED MARCH 31, 2004

Functions/Programs		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
Downtown Development Authority				
General government	\$ 2,499	\$ -	\$ -	\$ -
Community and economic development	6,546	-	-	-
Total Downtown Development Authority	<u>\$ 9,045</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues

Property taxes

Unrestricted interest and investment earnings

Total general revenues

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

See accompanying notes to financial statements

Net (Expense)
Revenue and
Changes in
Net Assets

Downtown
Development
Authority

\$ (2,499)

(6,546)

(9,045)

57,815

701

58,516

49,471

103,025

\$ 152,496

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Centreville conform to the accounting principles generally accepted in the United States of America as applicable to governmental units. The Village of Centreville adopted GASB 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended by GASB 37, as of April 1, 2003. The following is a summary of the significant accounting policies used by the Village of Centreville:

A. Reporting Entity

An elected six-member council (Board) governs the Village of Centreville. The accompanying financial statements present the government and its component unit, for which the government is considered to be financially accountable.

The Downtown Development Authority, considered to be a discretely presented component unit, is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The Downtown Development Authority's purpose is to promote and facilitate capital improvement projects for the downtown district.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities that rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the fund financial statements. There are no non-major governmental funds to report on.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it the Village's policy to use restricted resources first, and then unrestricted resources as they are needed.

One of the revenue types for which receivables are recorded on the governmental fund balance sheet is property taxes. Property tax is levied on each December 1st on the taxable valuation of property located in the Village of Centreville as of the preceding December 31st.

Although the Village of Centreville's 2003 ad valorem tax is levied and collectible on December 1, 2004, it is the Village of Centreville's policy to recognize revenue from the current tax levy in the subsequent year or the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (60 days).

The 2004 taxable valuation of the Village of Centreville totaled \$19,979,073 million, on which ad valorem taxes levied consisted of 12.7763 mills for the Village of Centreville's operating purposes raising \$278,446 for operating.

These amounts are recognized in the respective General and Special Revenue Fund financial statements as taxes receivable – current or as property tax revenue.

The government reports the following major governmental funds:

The government's primary operating fund, the general fund, accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on major streets, whereas, the Local Street Fund accounts for resources restricted for use on local streets.

There are no non-major governmental funds.

The government reports the following major proprietary funds:

Water Fund - The Water Fund accounts for revenues generated from charges for distribution of water to the residential and commercial users of the Village.

Sewer Fund - The Sewer Fund accounts for revenues generated from charges for sanitary sewer services provided to the residential and commercial users of the Village.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the government reports the following fund type:

Internal Service Fund The Internal Service Fund accounts for major machinery and equipment purchases and maintenance. The equipment and machinery is rented to other departments of the government.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Village has elected to follow private sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the Village's water and sewer function and various other functions of the Village. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include: (1) charges to customers for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relate to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

D. Assets, Liabilities, and Net Assets or Equity

Bank deposits and investments-Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and payables-In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statement as "internal balances."

No allowance for uncollectible accounts has been provided. Management has evaluated the accounts and believes they are all collectible.

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items- Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets- Certain monies have been set-aside for specific purposes and are shown as restricted cash on the statement of assets and on the governmental fund statement. The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

Capital Assets- Capital assets, which include property, plant, equipment, infrastructure assets, (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of 3 years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year \$0 interest expense was capitalized as part of the cost of assets under construction.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	20 - 50 years
Land improvements	20 years
Water and sewer lines	30 - 50 years
Fire hydrants	30 years
Water and sewer equipment	10 - 15 years
Roads	15 years
Bridges	50 years
Vehicles	10 years
Office equipment	10 years
Computer equipment	5 years

GASB 34 requires infrastructure acquired, donated, constructed or substantially rehabilitated since fiscal years ending after June 30, 1980 be inventoried and capitalized. The Village has capitalized the current year's infrastructure as required by GASB 34, and has reported the infrastructure in the statement of net assets.

Compensated Absences (Vacation and Sick Leave)-It is the Village of Centreville's policy to not permit employees to accumulate unused vacation or sick days from year to year.

Long-Term Obligations-In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Equity-In the fund financial statements, governmental funds report reservations of fund balances for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Reserves exist for prepaid expenditures as those items will be expended in subsequent years. Designations of fund balance represent tentative management plans that are subject to change.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information-Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. Public hearings are held to obtain taxpayer comments before the Village Council approves the budgets. The Council must approve any revisions of the budgets.

The budget documents present information by fund, function, department and line items. The legal level of budgetary control adopted by the governing body is the fund. The village manager is empowered to transfer line-item budget amounts within appropriation centers.

Budgets as presented for the governmental funds are prepared on the modified accrual basis consistent with generally accepted accounting principles.

In the Required Supplemental Information section of the financial statements, the Village's actual expenditures and budgeted expenditures is shown for the governmental funds. The Village incurred fewer expenditures for all governmental funds than budgeted.

NOTE 3 DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes local government units to make deposits and invest in the following:

- In certificates of deposit, savings accounts, deposit accounts of federally insured banks, credit unions, and savings and loan associations that have an office in Michigan.
- In bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States.
- In United States government or federal agency obligation repurchase agreements.
- In banker's acceptance of United States banks.
- In commercial paper rated within the two highest classifications that mature not more than 270 days after the date of purchase.
- In obligations of the State of Michigan or its political subdivisions that are rated as investment grade.
- In mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Village of Centreville Board has designated three banks for the deposit of the Village's funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in bank depository accounts and certificates of deposit, but not the remainder of State statutory authority as listed above.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 3 DEPOSITS AND INVESTMENTS (CONTINUED)

The Village of Centreville's deposits and investment policy are in accordance with statutory authority.

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit
Cash/cash equivalents	\$320,357	\$338,205	\$658,562	\$100,695
Certificates of deposit	238,057	-	238,057	-
Restricted Assets	<u>30,308</u>	<u>590,506</u>	<u>620,814</u>	<u>-</u>
Total	<u>\$588,722</u>	<u>\$928,711</u>	<u>\$1,517,433</u>	<u>\$100,695</u>

The breakdown between deposits and investments is as follows:

	Primary Government	Component Unit
Petty cash and cash on hand	\$ -	\$ -
Bank deposits (checking and savings accounts, certificates of deposit)	1,517,433	100,695
Investments in securities, mutual Funds and similar vehicles	-	-
Total	<u>\$1,517,433</u>	<u>\$100,695</u>

The bank balance of the primary government's deposits is \$1,517,433 of which \$400,000 is covered by federal depository insurance and \$-0- is collateralized with U.S. Treasury securities held by the pledging financial institution's trust department in the Village's name. The component unit's deposits had a bank balance of \$100,695 of which \$100,000 was covered by federal depository insurance and \$-0- was collateralized.

Deposits are categorized below according to level of credit risk:

1. Insured or collateralized deposits with securities held by the Village or its agent in the Village's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the government's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Village's name.

At year-end, the government's deposit balances were categorized as follows:

	1	Category 2	3	Reported Amount (Fair Value)
Primary Government				
Demand deposits	\$200,000	\$ 488,870	\$ -	\$ 688,870
Certificates of deposit	<u>200,000</u>	<u>628,563</u>	<u>-</u>	<u>828,563</u>
Total	<u>\$400,000</u>	<u>\$1,117,433</u>	<u>\$ -</u>	<u>\$1,517,433</u>
Component Unit				
Demand deposits	<u>\$100,000</u>	<u>\$ 695</u>	<u>\$ -</u>	<u>\$ 100,695</u>

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 4 CAPITAL ASSETS

The following summarizes the changes in capital assets for the fiscal year ended March 31, 2004:

Governmental Activities

	Balance April 1, 2003	Increases	Decreases	Balance March 31, 2004
Capital assets not being depreciated:				
Land	\$ 128,400	\$ -	\$ -	\$ 128,400
Capital assets being depreciated:				
Land				
Improvements	\$ 31,387	-	\$ 6,578	\$ 24,809
Buildings-Water	52,791	-	7,402	45,389
Buildings-Internal				
Service Pool	42,390	-	-	42,390
Infrastructure	159,038	-	-	159,038
Equipment	94,298	-	53,144	41,154
Equipment-Internal				
Service Pool	203,292	3,000	15,109	191,183
Office equipment	28,601	-	10,875	17,726
Vehicles	459,499	-	22,108	437,391
Subtotal	1,071,296	3,000	115,216	959,080
Less Accumulated depreciation for:				
Land				
Improvements	7,302	1,240	6,578	1,964
Buildings-Water	32,227	908	7,402	25,733
Buildings-Internal				
Service Pool	13,421	848	-	14,269
Infrastructure	8,601	8,831	-	17,432
Equipment	86,485	2,472	53,144	35,813
Equipment-Internal				
Service Pool	104,083	14,000	15,109	102,974
Office equipment	23,526	897	10,875	13,548
Vehicles	172,712	20,627	22,108	171,231
Subtotal	448,357	49,823	115,216	382,964
Net capital assets being depreciated:	622,939	(46,823)	-	576,116
Governmental Activities				
Total Capital Assets-				
Net of depreciation	\$751,339	(\$34,975)	\$ -	\$704,516

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 4 CAPITAL ASSETS (CONTINUED)

Business-type Activities

	Balance April 1, <u>2003</u>	<u>Increases</u>	<u>Decreases</u>	Balance March 31, <u>2004</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 154,526	\$ -	\$ -	\$ 154,526
Capital assets being depreciated:				
Buildings	\$ 4,522			\$ 4,522
Sewage system	3,772,235	8,552	-	3,780,787
Wells, mains, Equipment	2,860,546	16,372	-	2,876,918
Office equipment	<u>9,734</u>	<u>-</u>	<u>-</u>	<u>9,734</u>
Subtotal	<u>6,647,037</u>	<u>24,924</u>	<u>\$ -</u>	<u>6,671,961</u>
Less Accumulated Depreciation for:				
Buildings	4,522	-	-	4,522
Sewage system	1,223,012	77,454	-	1,300,466
Wells, mains, equipment	781,649	70,982	-	852,631
Office equipment	<u>9,491</u>	<u>204</u>	<u>-</u>	<u>9,695</u>
Subtotal	<u>2,018,674</u>	<u>148,640</u>	<u>-</u>	<u>2,167,314</u>
Net Capital Assets being depreciated	<u>4,628,363</u>	<u>(123,716)</u>	<u>-</u>	<u>4,504,647</u>
Total Business-Type Capital Assets – Net Of Depreciation	<u>\$4,782,889</u>	<u>(\$123,716)</u>	<u>\$ -</u>	<u>\$4,659,173</u>

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 4 CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Public Safety	\$ 22,806
Public Works	9,124
Unallocated	3,045
Internal service	14,848
Total Governmental Activities	<u>\$ 49,823</u>
Business-Type Activities	
Water	\$ 70,983
Sewer	77,657
Total Business-Type Activities	<u>\$148,640</u>

Construction Commitments-The Village has no active construction projects at year-end.

Downtown Development Authority-The authority has no commitments or projects in process at year-end.

NOTE 5 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To/From Other Funds		
Local street	Major street	<u>\$ 1,891</u>
Due To/From Primary Government and Component Unit		
Component unit-	Primary government-	
Downtown Development Authority	General Fund	<u>\$26,934</u>

Interfund Transfers

The Major Street fund transferred \$18,143 to the Local Street fund which represents the allowable transfer of 25% of State revenue sharing funds.

NOTE 6 NOTE PAYABLE

During the fiscal year ended the government paid in full an outstanding installment loan used to purchase a fire truck.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

NOTE 7 LONG-TERM DEBT

In 1998 the Village issued revenue bonds to provide for the acquisition and construction of major capital facilities. These bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	Beginning Balance	Additions (Reductions)	Ending Balance	Due Within One Year
Business-Type Activities				
Revenue bonds through the Michigan Municipal Bond Authority				
1998 Water Supply System \$1,900,000 bond; 4.75% interest; maturing April 2038.	\$1,690,000	(\$ 19,000)	\$1,671,000	\$ 20,000
1998 Sewage Treatment System; \$1,900,540 bonds; 5.0% interest; maturing October 2018	<u>1,580,000</u>	<u>(85,000)</u>	<u>1,495,000</u>	<u>85,000</u>
Total Business-Type Activities	<u>\$3,270,000</u>	<u>(\$104,000)</u>	<u>\$3,166,000</u>	<u>\$105,000</u>

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year End March 31</u>	Business-Type	
	<u>Principal</u>	<u>Interest</u>
2005	\$ 105,000	\$ 112,535
2006	106,000	109,649
2007	112,000	106,715
2008	113,000	103,621
2009	119,000	100,480
2010-2014	635,000	450,650
2015-2019	731,000	355,325
2020-2024	222,000	270,225
2025-2029	280,000	210,995
2030-2034	353,000	136,111
2035-2039	<u>390,000</u>	<u>42,988</u>
Total debt service	<u>\$3,166,000</u>	<u>\$1,999,294</u>

NOTE 8 RISK MANAGEMENT

The Village is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Village has purchased commercial insurance for workers' compensation and liability claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. At fiscal year end there are no outstanding claims.

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

**NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004**

NOTE 9 DEFINED CONTRIBUTION PLAN

The Village maintains a defined contribution plan for substantially all full-time employees. The Village contributes 4% of eligible employees' compensation. For fiscal year ended June 30, 2004, \$5,271 was contributed to the plan by the Village.

REQUIRED SUPPLEMENTAL INFORMATION

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2004**

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Resources (inflows)				
Real and personal property taxes	\$ 219,000	\$ 219,000	\$ 232,047	\$ 13,047
Federal grants				-
State grants	150,000	165,000	166,159	1,159
Operating contributions	10,400	21,400	21,418	18
Licenses and permits	9,140	18,440	18,903	463
Fines and forfeitures	5,000	5,000	6,078	1,078
Charges for services	87,274	78,774	73,876	(4,898)
Interest and rentals	2,000	2,000	2,040	40
Miscellaneous revenues	6,000	6,000	19,093	13,093
Amounts available for appropriations	488,814	515,614	539,614	24,000
Charges to appropriations (outflows)				
General government				
Council	5,814	5,814	4,586	1,228
Village president	1,373	1,373	1,098	275
Village manager	32,619	32,619	32,932	(313)
Election officials	288	288	292	(4)
Clerk	3,459	4,059	3,650	409
Treasurer	4,075	5,575	5,414	161
Hall & grounds	166,376	177,776	165,198	12,578
Community planning and development	1,926	1,926	519	1,407
Public safety				
Village property	27,400	27,400	21,770	5,630
Law enforcement	150,233	150,233	140,944	9,289
Crossing guards	2,000	2,000	1,767	233
Fire	122,034	127,974	118,513	9,461
Health and Fire Rescue	15,508	31,508	20,869	10,639
Total charges to appropriations	533,105	568,545	517,552	50,993
Excess (deficiency) of resources over charges to appropriations	(44,291)	(52,931)	22,062	74,993
Beginning of Year Fund Balance	139,869	139,869	139,869	-
End of Year Fund Balance	<u>\$ 95,578</u>	<u>\$ 86,938</u>	<u>\$ 161,931</u>	<u>\$ 74,993</u>

See accompanying notes to financial statements

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
MAJOR STREET FUND
FOR THE YEAR ENDED MARCH 31, 2004

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Resources (inflows)				
State shared revenue	\$ 66,000	\$ 66,000	\$ 72,573	\$ 6,573
Interest income	6,000	6,000	2,660	(3,340)
				-
Amounts available for appropriations	72,000	72,000	75,233	3,233
Charges to appropriations (outflows)				
General government				
Village manager	2,815	2,815	2,841	(26)
Public works				
Construction	90,500	90,500	21,889	68,611
Street maintenance	26,746	26,746	12,587	14,159
Winter maintenance	5,005	5,005	5,678	(673)
Transfers to other funds	16,500	16,500	18,143	(1,643)
Total charges to appropriations	141,566	141,566	61,138	80,428
Excess (deficiency) of resources over charges to appropriations	(69,566)	(69,566)	14,095	83,661
Beginning of Year Fund Balance	223,337	223,337	223,337	-
End of Year Fund Balance	\$ 153,771	\$ 153,771	\$ 237,432	\$ 83,661

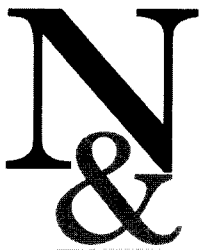
See accompanying notes to financial statements

VILLAGE OF CENTREVILLE, ST. JOSEPH COUNTY, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LOCAL STREET FUND
FOR THE YEAR ENDED MARCH 31, 2004

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended budget
Resources (inflows)				
Millage/local roads	\$ 16,000	\$ 25,750	\$ 25,747	\$ (3)
State shared revenue	29,000	29,000	32,341	3,341
Interest income	4,000	4,000	4,124	124
Transfers in from other funds	16,500	16,500	18,143	1,643
Amounts available for appropriations	65,500	75,250	80,355	5,105
Charges to appropriations (outflows)				
General government				
Village manager	2,815	2,815	2,844	(29)
Public works				
Street maintenance	54,657	54,657	28,774	25,883
Winter maintenance	5,186	5,186	5,608	(422)
Total charges to appropriations	62,658	62,658	37,226	25,432
Excess (deficiency) of resources over charges to appropriations	2,842	12,592	43,129	30,537
Beginning of Year Fund Balance	162,588	162,588	162,588	-
End of Year Fund Balance	\$ 165,430	\$ 175,180	\$ 205,717	\$ 30,537

See accompanying notes to financial statements



REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

To the Village Council
Village of Centreville, Michigan

Norman & Paulsen, P.C.

Certified Public Accountants

123 N. Main Street
Three Rivers, MI 49093
269.273.8641
Fax 269.278.8252
E-mail
npnr@npaccounting.com

Other Location:
127 W. Chicago Road
Sturgis, MI 49091
269.651.3228
Fax 269.651.5146
E-mail
normanpaulsen@charter.net

Donald L. Paulsen, CPA
Patrick J. Monahan, CPA
Bruce S. A. Gosling, CPA
Michael R. Wilson, CPA
Rick L. Strawser, CPA
Jerrel T. Norman (1941-1982)

We have audited the financial statements of the governmental activities, the business-type activities, the component unit, and each major fund of the Village of Centreville, Michigan, as of and for the year ended March 31, 2004, that collectively comprise the Village of Centreville, Michigan's basic financial statements and have issued our report thereon dated May 19, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Village of Centreville, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Centreville, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be a material weakness.

This report is intended for the information of the Village Council management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Norman & Paulsen, P.C.

Norman and Paulson P.C.

May 19, 2004
Three Rivers, Michigan